

CHAPTER - 6

VOLUNTARY RETIREMENT SCHEME

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CHAPTER 6

VOLUNTARY RETIREMENT SCHEME.

6.1 INTRODUCTION:-

The globalisation have increased the competition all over the world in each and every field and at each and every corner of the world. Such competition is about products, their qualities, their prices, **and** their marketing strategies. Each organisation is fighting for existence **or to remain** in the competition. But it is very difficult to achieve the objective of getting the profit and to remain in the competition.

Because the developing nations like India were pressurized to liberalize policy means to make the market free, by removing tariff and **non tariff** restrictions. Due to liberalisation, the Giant corporations and Multinational corporations entered in the Indian market. Such MNCs and Giant corporations were having ample financial background, and latest or modern technology. Due to automation, more fast and superior production is possible at very low **cost** and **as the cost of** production is low the **selling** prices are also kept low. Now instead of actual exporting the **goods** to developing countries they have started their manufacturing units in such developing countries and started capturing the world market.

In order to achieve in the competition the industries in the developing countries including India, adopting the measures like, restructuring, reorganizing, rationalizing of operation and technological up gradation etc. These measures are not useful **only for their survival but also** for their growth. Some industries which are utilizing the old technology like **textile** industries, pharmaceutical, engineering, **coal, mines, etc.** are collaborations with the MNCs, are forced by the MNCs to adopt **urgent** measures like to rationalize **or** downsize their manpower to remove the inefficiency in the organization. There are around 235 public sector units in India. The government referred 58 units, which are recurring making

losses or sick units are decided to be closed or liquidated. There are 2 lakhs workers employed in these units, there will be immediate problem of their survival. In the Western Countries like England, America and Europe, U.K, no such care of workers survival is taken. The employers are having the freedom to 'hire and fire' such workers e.g. The Giant corporations in America like IBM reduced its strength by thousands peoples within one day. But for such acts there are highly regulated labour laws in India. Even though the organization is needed to increase the permanent work force or in case of lay off or about closure or retrenchment the permission is required to be taken. The amendment of Industrial Dispute Act in 1976 where by the chapter VB was introduced which have created the difficulty to get the approval. This amendment have created the obstacles in declaring the closure and lay off to the employer. This amendment in the Industrial Dispute Act is made for the purpose of protecting the workers. According to this Act there was no requirement of taking permission of the business closure or while declaring the lay off. If the workers are below 300 in the organization later on this limit reduced up to 100 workers, but at present since 24th June 2004 this limit again has raised up to 1000 workers i.e. If the workers are below 1000 then no permission of the government is required for declaring lay off or the closure by the employer. Hence there are great difficulties in restructuring the excess manpower.

VRS - the new solution for restructuring:-

As the rules are not favourable for hire and fire to the Indian employers, but now the employers have found the new method of discharging surplus labour, which is 'Voluntary Retirement Scheme' or 'Golden Hand Shake' or 'Early Separation Schemes' etc. These Voluntary retirement schemes are not new to the industries, because some public and private sector undertakings like Hindustan Arohites Ltd. And M/S Guest keen Williams Ltd, Indian Railways have implemented the voluntary retirement

scheme for reducing surplus labour force before **1976**. **This scheme** have gathered the momentum since the 1980s, and in **the last 4 to 5 years** this scheme have geared up at a fast speed. The large companies in **public sector** as well as private sector undertakings have introduced the **voluntary retirement scheme**. The employers who applies for permission to downsize either by retrenching or by laying off workers, **is almost never** given by the state government on the ground of social security of the employees. The voluntary retirement scheme is **less painful strategy** which **is** more acceptable. The basic principal of voluntary retirement scheme is that it is better choice then retrenchment. VRS offers an attractive package of benefits, **so that** it enables the organization to rationalize the labour strength, attain cost effectiveness and to minimize the **cost of production**. VRS helps to simulate the growth in short run by increasing the productive efficiency. The insertion of technology also becomes possible at each stage of operations so the standardization becomes possible. Due to the standard products at low cost, of good size, shape and at more attractive prices increases the demand and becomes more competitive.

6.2 ORIGIN OF VOLUNTARY RETIREMENT SCHEME:-

Voluntary Retirement is not the new concept, it is in practice in the public sector since 100 years back. This scheme is in practice at all the **states** in India. The concept of 'Voluntary Retirement' is originated in the **foreign nations**. It is brought in India by the foreign banks and the Multinational Corporations. The first VRS was brought in to India by the City Bank of America in 1977, 1981 and 1993 and British Standard Chartered Bank in 1994, 1996 and in 1999. Indian Railway announced the VRS in 1977. ONGC has the permanent VRS, Bharat Gold mine Ltd introduced the VRS in 1987 and revised in 1988, 1990. Batliboi and company Ltd introduced VRS in 1987 and revised in 1988, 1990 and 1991. The Cadbury India Ltd, Premier Automobile Ltd, Corona Ltd, Godrej Soaps Ltd, implemented the VRS in 1992. Sandoz in 1994, Bayer

Crompton Greaves, Indian Standard Metals, Bayer declared second scheme. Many such Indian Companies have targeted to reduce their workforce on large scale in order to reduce the cost of production.

In 1927, the International Economic Conference included in the concept of rationalization, the concept of labour efficiency, standardization of products, conservation of raw materials and power, simplification distribution procedures minimize the financial charges within the concept of rationalization. The advisory committee of ILO defined the rationalisation as 'any reform tending to replace habitual antiquated practices by means of methods based in systematic reasoning,' but it is closely associated with the labour utilization. The other terms associated with the concept of rationalization are automation, modernization and mechanization. All of them involves the changes in manpower utilization.

The concept of rationalization or changes in the manpower originated in Toyota Japan, which was manufacturing critical automatic parts, this corporation allowed a complete freedom to 'hire and fire' at any time at short notice and can remove the employees anywhere in the industry. Firstly it was opposed by the unions, but afterwards it was accepted. ✓

The rationalization and manpower reduction are much familiar in the Western countries because the industrial structuring is already in practice since many decades there. The rationalization means to reduce the fats to keep the maximum flexibility in maintenance and utilization of the workforce. ✓

The employment declines because of automation and rationalization and creates the economic and social problems. The economic problems ✓ are level of incomes gets, low, the expenses cannot be incurred and there will be a problem of investment of the savings etc. Where as the social problems includes the psychological adjustment.

Indian labours have always opposed to the rationalization, because the old workers are required to be replaced by new workers if the

automation measures are adopted in the organization. After the second world war there was a problem of surplus labour as well as replacement of old machineries. In 1950, the Fiscal commission in India felt that the labour productivity in iron and steel and coal industries is declined because of surplus labours. But it was very difficult to retrench the workers in difficult economic situations.

In the post War years employer tried the method of agreement to rationalize. Such agreement was reached between Kanpur Textile industrialists and INTUC and HMS unions. In this agreement the necessity of retrenchment was accepted and was partially implemented but afterwards the INTUC union changed the stand and opposed to the employers association.

The expert team of ILO arrived in India and made its recommendation that the productivity should be easily increased with the same workforce, but with change of methods and managerial processes, added to union thinking as well. In the meeting at Rajkot in 1954 the AITUC union changed its stand and agree to allow rationalization of labour, but only if the some benefits are given to the workers and community. This was assign to change the government policies from time to time.

Rationalization Policy:-

The rationalization policy was adopted by the employers in first 3 plans but was opposed by the government by imposing many restriction upon it. The first plan proposed the followings elements-

- a) The stress should be given on natural separation.
- b) There should be provision for alternate employment to the affected person.
- c) The liberal separation allowance should be given.
- d) The technical examination of the workload should be there.
- e) There should be retraining arrangements.

- f) Due to such change if gains are there, it should be shared.

There was no proposals made up to the third plan. The third plan also standard of living cannot be increased unless the productivity is increased because the increased productivity will increase the sales turnover and profit and ultimately the wages of worker.

At the 15th Industrial Labour Conference in 1957 made the model agreement to guide the employees. The conference suggested the following precautions.

- i) There should not be retrenchment or loss of earnings of existing employees. If they have made the agreement, then alternative jobs should be made available.
 - ii) The union should be informed, about the changes in the work flow and the earnings of the effected employees.
 - iii) The employer should inform the number of reductions to be made and its effect on existing jobs.
 - iv) The benefits of rationalizations should be shared equally between employer, employees and the community equally.
 - v) After the notice the employer can freely discuss the changes and should provided the required information demanded by the workers.
 - vi) The unions should present their arguments within a week after discussions.
 - vii) There should be proper assessment of workload by the mutual agreement and suitable improvements should be made in it.
 - viii) The notice of the proposed changes should be given in detail such as the propose change, date of change, proposed duties and job assigned etc.
 - ix) The changes to be made in machinery, layout and organization and rational use of labour, material etc without violating the law.
 - x) If there is difference then the dispute provision should be applied.
- The Industrial Labour Conference reaffirmed the 1957 principles. In

1967, the discussion of automation came. The issue was raised again in 1968 and the unions were against the automation due to unemployment problem. The supreme court have provided to the tribunals the power of reinstatement in case of dismissal of the workers and the tribunal can intervene in case of dismissal if-

- i) The management of victimization of the worker in case of unfair labour practices.
- ii) The management is guilty when the basic error of violation of natural justice.
- iii) There is want of good faith.
- iv) After having examined and management found guilty is punished.

The rationalization was adopted by many industries to reduce the employees and for this many tactics e.g. In jute industry, initially sealing off looms or reducing the number of shifts or badlies of workers or substitute workers, availability of raw materials or fluctuations in market demand for finished products, technological changes in large industries, transfer of employees at other places.

Twenty years after the independence some companies adopted the use of computers in Indian Railways, the computers, were installed in five zones at Chittaranjan Locomotive works , the Diesel Locomotive works in Varanasi, in Integral Coach Factory at Perambur etc. but even though after computerization there were retrenchment resulted.

After the recommendations of 15th ILC the workers organizations became favorable to introduce the rationalization by mutual agreements. The tripartite committee, set up a National Productivity Council which laid down certain guidelines for sharing the gains of productivity by rationalization.

The National Commission 1969:-

This commission suggested certain guideline for rationalization that the rationalization can be made by the agreement between employers and employees. The scheme for rationalization should complete the following

conditions.

- a) It should result in higher productivity and efficiency.
- b) It should accommodate all surplus labour.
- c) It should increase the level of earnings of the workers.
- d) It should lead reduction in costs and be a benefit to the community.

The Ramanujam committee recommended that the surplus workers should be absorbed. It said "If there is any surplus labour for any reasons, such surplus labour shall be absorbed in any other plants under the same management on jobs of similar nature without reduction in emoluments either by operation additional shifts, or seven days working or expansion of the capacity.

Oppositions by the unions:-

Since beginning the unions opposed to the rationalization, even in 1980s when the rationalization was essential the unions argued that the separation should be on natural basis. However the unions agreed to allow employers not to fill up the posts where the employees are retired or left by their own. The nation-wide strike was called by the left union on 9th September, 1993, against the liberalisation policy. But this strike had no effect either in government policy as well as on the employers. The INTUC and other centre unions joined together in order to oppose the employment policy or exit policy. The unions criticized the establishments under National Renewal Fund (NRF), as the thrust appears separation or VRS rather than redeployment, and also attempted to amend the ID Act, the clauses on retrenchment closure and lay off etc.

The unions are opposing the rationalization or VRS because-

- i) VRS leads to abolition of job.
- ii) There will be loss of membership of the unions.
- iii) The financial benefits given by the employers will misguide the workers.
- iv) If more benefits are given they have to sale the assets like Land or

building or plant and machinery.

The unions generally oppose to the VRS because that opposition will create them a bargaining power and while bargaining they can demand good bargaining terms and conditions. For those who are taking VRS, some times the vacancies are created, or keeping the position of union leaders intact, or to increase the membership of the union, creates obstacles by filing the cases in the courts and obtaining the interim stays and put the pressures. The unions also co-operates VRS because improved understandings of companies position and difficulties. Some times the company workers puts the pressure on unions not to oppose the scheme in this situation unions remains constant.

The Industrial Dispute Act, have imposed restrictions on lay off and retrenchment of the workers. The worker who is working for not less than one year and in that organization if certain number of employees are employed cannot be retrenched unless the following conditions are fulfilled.

- i) One month's notice is given.
- ii) Compensation of 15 days pay, for each completed years of service.
- iii) Notice is sent to the appropriate Government.

The original provision in the restriction was kept on the enterprises employing 300 or more workers. In 1982, the amendment was made and this was reduced 100 or more workers. Again the amendment was made on 24th July, 2004 and the number of workers are increased up to 1000 or more workers. This restriction for the enterprises in West Bengal is kept up to 50 or more workers. The provisions of change of ownership are observed by section (25 FF) and the closure is discharged by the section (25 FFA). If the notice period is further extended for more than two months, then the compensation is restricted up to 3 months pay. These provisions are not applicable to the seasonal employment, construction activities etc. Generally the preference for retrenchment is given by 'Last in first out' method. If the circumstance for such retrenchment

are beyond the capacity of the employer such as shortage of raw material, the financial difficulties, stock accumulation due to lack of orders, expiry of license or exhaustion of minerals in case of mining activities. ✓

The employers of big industries are putting the pressure on the government to revise or amend the clauses of ID Act but the government is not paying attention upon it, but indirectly in favour of Voluntary Retirement Schemes. The permanent employees resisted this system forced the unions and managements the much more market oriented requirements of the 1990 through the VRS.

Voluntary Retirement Scheme:-

The voluntary retirement received legislative recognition in 1953. When the definition of retrenchment was enlarged in the Industrial Act, 1947 by inserting section 2(00) in the Central Act. The section 2(00) also asserts that retrenchment does not include the voluntary retirement of the workmen. ✓

The chapter VB of Industrial Dispute Act have made the provisions of Lay off, retrenchment and closure. The amendment made in the ID Act on 24 July 2004 have increased the strength from 100 workers to 1000 workers now. If retrenchment or lay off is required then special permission of the government is required which is generally not given. ✓

Therefore VRS is the new way found out to the cash reach establishments to minimize the strength of the workers. VRS affects the employers, employees and the unions at a time. It is also very much sensitive issue with many psychological reasons.

The voluntary retirement has become a necessary feature of industrial economy where the survival is dependent upon the competing efficiency. ✓ The World Bank and International Monetary fund has 189 member countries, hence there are 189 country players in the global economies. The new economic policy passed by the government affects the enterprises in that country. In the new global village we observe the trends like privatization,

disinvestment, foreign collaborations the liberalization etc. The disinvestment and privatization policies are adopted in order to remove the public debts and inefficiency in the organization, on the other hand the government is also responsible to make available the infrastructural facilities which requires the funds which are raised by disinvesting the public sector units.

The government labour policy have direct impact on Human Resource Management the Article 15,16 and 17 relates with Human Resource Management. According to the Article 16 of the New Industrial Policy if the workmen refuses to undergo training they can be retrenched without obtaining government license.

6.3 MEANING AND DEFINITION OF VOLUNTARY RETIREMENT SCHEME:-

The word 'RETIRE' has been defined in the concise Oxford Dictionary as cease from office or give up the office or profession or employment. Due to large scale modernisation and the liberalisation, the most of the workers have become surplus in large number of organisations. Therefore there is a question of million dollar, that how to minimize or right size the workforce. The labour laws are not specially made for VRS. Most of the organizations having availability of funds have adopted the process of VRS for restructuring, but there are lots of problems in implementation of VRS.

Definition:- "Voluntary" means without compulsion or willingly. Therefore Voluntary Retirement is an act on the part of the employee to give up the employment willingly and without compulsion from the employer. It is an unilateral act on the part of an employee to cease the contract of employment with the employer. The word "Voluntary Retirement" has received the legislative recognition in 1953 when section 2(00) was included in the Industrial Disputes Act. The said section 2(00) asserts that retrenchment does not include Voluntary retirement of the workmen. There is no need of disclosing the reason for VRS.

There are no rules or laws for VRS, and prior consent of the unions also not necessary for taking VRS. Submitting an application by the employee is just like a proposal for bringing the contract of service to and end, and such termination of contract of service is observed by the sections 4 & 5 of the contract Act, 1872.

The concept of Voluntary Retirement is made clear by Division Bench of Madras High Court that unless the termination of service is the result of a voluntary move on the part of the employee, he cannot be said to have "voluntarily retired". Mere submission of an application of Voluntary retirement is not enough but the employer has the power to terminate the service. Such power may be exercised by a notice or by giving one months pay with notice.

The Andhra Pradesh High Court have summarized the general principles about the Voluntary Retirement about the public service, is that after joining the public service the person cannot leave the service till his date of retirement. But the government have made the provision of Voluntary retirement to the public servants before he attains the age of retirement or superannuation. The voluntary retirement is a condition of service gives an option to the public servant to retire voluntarily qualifying age or qualifying service. Here the servant makes a request to retire voluntarily and the employer acceptance, but in case of absence of rules or no much scheme is declared by the government, then the employee have no right to ask for voluntary retirement. The rules providing the voluntary retirement may be of two types.

- i) The rules of voluntary retirement after attaining a particular age or after completing a particular years of service.
- ii) A rule merely prescribing the eligibility of VRS.

As per the first rule the VRS becomes the right of an employee where as in second case VRS is the request to the employer after he becomes eligible and hopes so.

The Voluntary Retirement is not opposing to the public policy but for furtherance of it. The package of VRS is providing benefits apart from regular retirement such as Provident Fund, Gratuity, Leave encashment, the notice pay and 45 days salary. The union cabinet have fixed 40 as qualifying age and 10 years service period for making application by employee for VRS. The parliament also have announced the fiscal concessions upon such schemes e.g. The tax limit has been raised up to Rs. 5,00,000. The Railways has announced the VRS in 1977 and it is held by the court in one case that to take the VRS is the right of the employee and the consent cannot be rejected.

The Natural oil and gas commission of government of India has the Voluntary Retirement Scheme on permanent basis Bharat Gold Mines introduced the VRS in 1981.

The retired Judge Mr. Justice M.G.Chitale, of Bombay High Court and Ex-president of Industrial Court Maharashtra, gave the approval to the Voluntary Retirement Scheme of Cable Corporation of India Limited under his award. The Bombay Calcutta Port Trusts and Madras City Corporations also implemented the Voluntary Retirement Scheme, Cadbury India Ltd, Premier Automobiles Ltd, Corona Ltd, Godrej Soaps Ltd. Implemented VRS in 1992. Batlibol & Co. Ltd introduced VRS in 1987 and revised in 1988, and 1991. Sandoz implements the VRS in 1994. Bayer, Compton Greaves, Indian Standard Metals also implemented it. The main aim of declaring VRS was to reduce the workforce and the Voluntary Retirement Scheme was implemented in Private as well as Public sector undertakings.

Voluntary Retirement Differs from Retrenchment:-

The retrenchment means termination of service of a workman for any reason or punishment by any disciplinary action but does not include-

- a) The Voluntary Retirement Scheme.
- b) Retirement by reaching at the age of superannuation.

In one case the company from U.P. declared the VRS. Some

workers accepted the scheme and resigned and took the benefit of the scheme. After 5 years they raised a dispute which was referred by Industrial Tribunal and Tribunal given the judgment infavour of workmen and directed their reinstatement and back wages on the ground that the scheme was not in the standing order.

The company filed the writ petition in the High court and High court also gave the judgment against the company, the reason was that the company have violated the provisions of Section 9A, of the ID Act and section 6N of the U.P. ID Act, 1947-

Voluntary Retirement Scheme is Contractual in nature:-

In the case of Voluntary Retirement Scheme declared by the Nationalized and State Banks the Supreme Court held that declaration of VRS is not proposal but it is an invitation, the banks has the right to accept or reject the application or to change the conditions which are declared in the scheme. Where as the employee cannot withdraw his application as have no enforceable right according to section 5 of the contract Act 1972. For its Validity the acceptance for VRS is required to be communicated to the applicants.

Voluntary Retirement is different from compulsory retirement:-

In one case decided by Karnataka High court compulsory retirement is the discretion given to the employer to retire an unwanted employee irrespective of whether the employees are surplus or no, where as voluntary retirement is the choice given to an employee. The employee can seek VRS without objection from the management. The documents like Annexure (R1 and R2) have been made unilaterally, by the management without consulting the workmen.

6.4 SCOPE OF VOLUNTARY RETIREMENT SCHEME:-

The most defective changes took place between the period 1985-95. The Rajeev Gandhi visited U.S.A. and other countries, and he observed certain key factors required for the development of India. There were

many drawbacks in the Indian industries like obsolete machinery, high cost of production low quality, low productivity, over manning etc. The companies in both public and private sectors found that the viability of their units was in danger. Many of the units were sick, over the years and it was estimated that 1 lakh and 30 thousand sick units in our country and many marginal units were on the way of sick.

The government also made change in the policy in 1984, like partial decontrol, deregulation and delicensing and modernisation, technological up gradation, competitiveness, cost effectiveness and great emphasis on quality, delivery schedule and prices, The old industries were highly sheltered and were operating in a protective market. Now the competition has become very stiff due to new industries and small scale industries also.

Most of the industries were having the problem of reducing the cost of production for which use of modern machineries and minimizing the workforce was necessary. But Indian laws are protective to the employees and generally the permission is not given to retrench or closure or lay off. Therefore Voluntary Retirement is the new technique or the 'Golden Hand sake' found to reduce the work force. It is also known as Early Separation Scheme and useful to employers, employees as well as to the society also.

6.4.1 Scope of Voluntary Retirement Scheme At International Level:-

The concept of Voluntary Retirement originated in Toyota, Japan in the automobile industry. The Western Countries like America, England and Europe are the nations, where there is complete freedom to the entrepreneurs to Hire and Fire the workers. In America there are big industrial giants like IBM, can reduce their workers strength overnight by many thousands of people, by giving short notice without any trouble. Such rules are not there in India.

At present the world Bank and the International Monetary Fund

have 189 member countries, which means there are 189 country players, in the global economies on domestic as well as at the world level. The countries has to look at the movements of the goods and services, people, money and information. The countries will also try to keep control on these four factors in order to achieve the economic growth. The economic policy of each country has the final impact on private industries in that country. In the new trend of global village presently there is a trend of privatisation of government industries. The governments in many countries aims that to make available the infrastructural facilities from the funds erected by such privatization. With reference to America 9% of the total assets are owned outside the America, while 4% employees works outside America. In case of UK 14% of the assets are owned outside UK and 15 % of the employees works outside UK since every country is in need of economic growth, countries have started viewing the world as a single market. The developed countries have started looking at China, India, Indonesia Brazil and Mexico as potential markets because of their population size.

There should be sizeable labour force in the organisation. Retrenchment is the policy option, has practical limitations. Therefore less painful strategy is . Voluntary retirement is the best option for retrenchment. The retrenchment creates the industrial unrest and it is without consent of the workmen. Where as VRS offers attractive package of benefits.

Throughout the world, in all the developing and developed nations like U.S.A., Canada, UK, Japan, Scandinavian countries, China, Pakistan etc, have introduced same kind of voluntary retirement schemes or voluntary severance schemes to their needs. The developed countries have adequate social security measures including unemployment insurance etc, in these countries an attempts to ensure greater transparency is made.

After the event of September 11, 2001 the world economy have lost the confidence According to the projection of the world growth has

been declined from 3.5% to 2.4%. There is slow growth in both developing and advanced countries. The U.S. economy and the Japanese economy are the main economies who are affecting the world economy. The airline industry in U.S.A. is the major industry, having 24,000 flights operation daily, has been affected very badly of the enormous fall in passenger traffic. The U.S. air industries have affected the whole chain of industries like, airline, meal and catering industries, tourism, hotel and hospitality industry, U.S airlines laid off 70,000 workers within 24 hours. British airways also followed the same workers cutting policy of many thousand jobs and have asked 36000, non management staff to accept pay cuts, major air carriers have reduced there schedule by 20-30% and International Air Transport Agency estimates that there will be job losses in global airlines industry at about 2 lakhs. Boeing airlines have planned to lay off 30000 workers due to slow down in orders. Jet engine maker Rolls Royce P/C has announced the changes in production plan is necessary. Lufthansa is also going to follow the U.S. and European plans who have reduced their jobs and revised their plans. Sabena and Swiss airlines have declared the bankruptcy by immediate retrenchment and retirement of thousands of workers. Some airlines have asked the financial help and loans from there own governments.

The U.S. airlines have asked for federal aids package and the U.S. congress have agreed to gave a \$ 15 billion bail out of which 2.5 billion as immediate grants and \$ 12.5 billions in the form of loans and credits. The US economy was experiencing slow growth before 11th September, 2001 also. The US economy is suffered by increasing unemployment, lower consumer spending, lower corporate earnings, lack of will for long term investments.

The industrial production of major industrial countries like Britain, Canada, France, Germany and Japan has gone down Japan is under financial crisis for more than one decade and there are no signs of

recovery. Due to the industrial crisis the banking industry in Japan is also facing serious problems. The industries are also facing the problems since last decade where as British economy has slipped and have become weak since 1980.

Table 6.1 : Voluntary Retirement Schemes Implemented at International Level

Sr.No.	Unit	Years of VRS	Total VRS Granted
1.	Sandoz KOLSHET	1994	415
2.	Whirlpool	2002	1305
3.	Philips India	1997	1750
4.	Petrochemicals	1999	2000
5.	Balasara	1997	15
6.	Siemens	1997,1998	1650
7.	Otis	1997	350
8.	Park & Davis	1997	300
	Foreign Banks		
9.	ANZ Grindlays	--	556
10.	Standard Chartered	--	2522
	Airlines		
11.	U.S. Airlines	N.A.	70000
12.	British Airways	N.A.	36000 (pay cut)
13.	International Air Transport Agency	N.A.	200000
14.	Boeing Airlines	N.A.	30000
15.	China Government laid off	--	6.5 million workers

(Source- 1. Seminar, Maratha Chamber of Commerce & Industries, Pune 2. International Relations in India paradigms by Ratna Sen and 3. Report of National Commission on Labour.)

From the above table, the international organizations are classified into private companies, foreign banks and the airlines. In the private organization most of the organization like Philips India, Petrochemicals, Balasara, Siemens,

Otis and Park Davis companies restructured their surplus workforce in 1997. The Sandoz reduced the workforce in 1994 and Whirlpool in 2000. The foreign banks like ANZ Grindlays, Standard Chartered Bank also reduced their workforce and in the Air Lines, US, British, International Air Transport Agencies, Boeing Airlines reduced workforce. The China government also laid off the workers upto 6.5 million.

Asian Economics:-

There is mixed picture in Asian economies. The output in China and India is rising, where as in Malaysia, Singapore and Taiwan the output level is falling. The China and India are experiencing inflation which is a sign of prosperity according Reserve Bank of India.

The global slow down and the slow down in US and European countries will affect the economies of the developing countries like India.

Latest News About VRS:-

The Sri Lankan Daily News and Reports have edited the news on 17th April, 2006 that the Sri Lanka government is considering the Voluntary retirement Scheme for public servants with the aim of cutting government expenditure.

The World Bank also have suggested and shown the interest to assist the Sri Lankan government to cut the workforce in public sector to improve the productivity.

The Sri Lanka government has huge public sector, and also have opened further recruitment centers for graduates. According to the Annual Report of Central Bank of Sri Lanka the total employees in state institutions amounts 10,94,415 and 50% of these employees are recruited after 1990. According to "Sri Lanka, Development Policy Review" of the World Bank, highlights that around 18% of the total labour force is recruited by the government in Sri Lanka.

The North and South Europeans have rejected the foreigners in their countries and have made anti-immigrant noise. They started imposing

restrictions, by keeping the wages and employment conditions down. One company tried replace the worker by non-unionised workers.

On Friday May 05, 2006, the Hong Kong - based Cathay Pacific flight attendants are eligible for a voluntary, early retirement plan, introduced by the airline. The plan is open for the crew, who joined the airlines, in flight services department on or before 31st December , 1999 and the scheme will remain open up to 5 p.m. on 9th June 2006. The voluntary retirement payment will at present 6,800 for which crews are eligible. This news has been published by the Standard China's Business Newspaper on 5th May, 2006 and the news is given by Justin Mitchell.

The Times and The Sunday Times Malta also have published the news that Air Malta is also going to restructure their employees by contingency plan. The Air Malta is going to downsize the workers through Voluntary Retirement Scheme, within few weeks after this date.

Table 6.2:Proposed Downsizing Plans in Selected firms at International Level in May 2006

Sr.No.	Unit	No.of Workers Planned to Cut
1.	Japan Airlines	4200
2.	Ford Motor	2000
3.	Chrysler	20000
4.	Procter and Gamble	9600
5.	Indian Hotel (Taj group)	1100
6.	Nationalised banks in India	90000
7.	Steel Authority of India Ltd.	19600
8.	Motorola	7000
9.	Fiat India	20 to 25% of existing staff

(Source- Websites concerned with VRS.)

✓ From the above table it is clear that the companies at International level also have planning to restructure its workforce due to competition increased because of globalization.

The Japan Airlines is planning to downsize the workforce by 4200, the maximum workforce i.e. Nationalised Banks in India are planning to reduce the workforce by 90,000, Fiat India plans to reduce existing staff by 20 to 25%, Procter and Gamble and Chrysler are downsizing by 9600 and 20000 respectively. The steel authority of India Ltd. and Motorola are also planning to downsize by 19600 and 7000 respectively. The above reduction in the strength of worker is necessary because of surplus labour force, increased competition and adoption of automation measure on large scale.)

6.4.2 Scope of Voluntary Retirement Scheme in India:-

✓ In order to face the competition in the global market, every organisation is trying for cost effectiveness, by way of insertion of automatic machineries and downsizing the surplus workforce. But the laws in India are mostly giving protection to the labours and are not allowing the 'Hire and Fire' policy as adopted in the other countries. A special permission of the government is required to be taken for retrenchment, closure or lay off of the workers. The Indian employers have now found one more way to downsize the employees. If it is implemented in an efficient manner and with sufficient package of compensation and by counseling to the retiring workers about their individual planning in the post-VRS period. So that workers will not suffer in their retired life.

The voluntary retirement scheme is not implemented in private sector units only but also, in PSUs those who are sick and always results in, recurring losses, and are also in need of implementing the voluntary retirement scheme. On the other hand some Multi National Companies are taking over the private companies, or collaborating with the Indian Companies or also regarding the public corporations they are purchasing their equity share in the open market because they have allowed by new

government policy to hold equity capital up to 40% it is raised up to 51%, in some cases up to 74% and in some cases up to 100% also of there equity capital if they are 100% export oriented units. The overall effect of such foreign ownership is that they are asking to reduce the old workforce by replacing new workers on contract basis. For such reduction the Indian organisations are declaring the voluntary retirement scheme on large scale by bringing more attractive packages, with or without consultation with the unions. Some organisations are shifting their workplaces from old places to new place by new name and closing the production activities at old place and showing the surplus workforce there and declaring the VRS, the workers fears that the unit will close and accepting the VRS. The new units are started in backward areas so that these units will get the tax benefits or concessions in payment of sales tax, excise duty, custom duty etc.

The unions also has become weak due to reduction in the membership and the unions have no bargaining power. Many workers have lost their jobs, and the unemployment has been increased, due to VRS.

The Indian Companies cannot compete with the MNCs and Giant corporations because of lack of modern technology and sufficient financial availability. The MNCs have captured the domestic market also, therefore it is quite difficult situation for the developing countries like India to come out of the situation.

The Indian workforce is the only asset which will help us to come out of the situation. The Indians are talent peoples, if they are educated will easily capture the good labour opportunities in foreign countries also. eg. We have very good support of Non Resident Indians. They are working on the top positions in the advanced countries like USA, Europe, Japan Australia etc. Due to IT and software industries we are getting good job opportunities and foreign exchange through outsourcing works.

Designing of Voluntary Retirement Scheme:-

Before designing the Voluntary retirement scheme it is necessary to consider, the labour management relations, the leaders of internal or external trade unions, the financial considerations of the employers to give the compensation to VRS applicants, and extra award like golden handshake.

The companies in India started restructuring in each functional area like finance, costing, supplies, materials, manufacturing and also existing manpower at all levels. The restructuring was necessary for cutting the fat in an enterprise for keeping profitability and liquidity for survival in the competitive market, by way of Voluntary retirement scheme. VRS should be the last option. The VRS was prevalent in the past but the speed was taken after the new economic policy on 24th July, 1991. In the policy the government brought the amendment to the Income Tax Act, under section 10 (10 c) Rule 2 BA specified the guidelines that the amount of compensation will not be taxed of both private and public sector employees. Further the amendment was made on 1st November, 1994. Previously the scheme was required to be approved by Income Tax Department but with effect from 1st April 2000 there is no such restriction but the company must ensure that scheme comes within Income Tax Act. On 20-06-2002 the government decided to exempt the VRS compensation from tax, for those employees who have completed 10 years service or 40 years of age. As pre the notification of (CBDT) Central Board of Direct Taxes the government amended the Rule 2 BA. The notification said that VRS compensation would be exempted from tax from April 1, 2002.

Before the company undertakes a VRS to exercise the company must identify.

- i) Is there surplus manpower.
- ii) Why the company wants to go for VRS.
- iii) Who wants to introduce the VRS.

- iv) How the company will manage after VRS.

Validity of Acceptance of VRS:-

- i) After declaration of the scheme if the candidate have applied for VRS but afterwards he gave another letter of withdrawing the first letter, even though if his first application is accepted then such acceptance is not valid acceptance.
- ii) After making an application for VRS the employee will retire only when his application is accepted.
- iii) An employee may withdraw his application of VRS before it becomes effective or the relationship of employer and employee comes to an end.
- iv) An option for voluntary retirement cannot be withdrawn after it is accepted.
- v) The option for voluntary retirement cannot be accepted till the disciplinary proceedings are pending against an employee.
- vi) After taking the VRS and receiving the amount of compensation. If again in the same organization, if the candidate is applying for fresh appointment, then such fresh appointment cannot be made.
- vii) While withdrawing the application of VRS it is necessary to show the satisfactory reason for such withdrawal.
- viii) If the pay scales are revised after the date of VRS but the effect of such pay revision is given from back date then such pay revision is payable to the employee.
- ix) After the VRS is declared if the terms & conditions are made by the employer for the benefit of the company / organization are allowed.
- x) If the long service is rendered by the casual worker then his service is considered for VRS benefits.

Reorganization At All Levels:-

The reduction in manpower means total reorganization of manpower

requirements from top to bottom. Such reorganization is necessary for creating psychological climate, cost reduction, maximum utilization of manpower. While introducing the VRS the following factors should be considered.

There is no universal formula applicable to all organizations in different situation. The company can introduce its own scheme, but any scheme should include the following points.

- i) It should be open for permanent employees.
- ii) It should be voluntary.
- iii) It may be for 5, 10 or 15 years depending upon age, skill and position of the employees.
- iv) The scheme should be introduced, by displaying the notice on the notice board and should be kept open for one to three months or even more.
- v) The scheme should be specifying, that the terms and conditions are not negotiable.
- vi) The acceptance of application should be, at the discretion of the company.
- vii) If the employee applies for VRS, and wants withdraw the application then it should be permitted before it is accepted and relieved from the post.
- viii) The acceptance or resignation should be communicated in writing.

Legal Dues:-

The employee who applies for VRS is entitled to receive the legal dues like-

- a) Leave Salary.
- b) Earned wages.
- c) Provident fund as per law or settlement.
- d) Pension if any.
- e) Statutory bonus.

- f) Gratuity as per law or agreement and settlement.
- g) LTA and other benefits.

Compensation:-

Apart from the legal dues, the scheme provides payment for the past service rendered and future service left in the organization the amount of compensation defers from organization to organization as per the schemes declared by such organizations.

Payment of Compensation:-

The employer has to decide the mode of payment of compensation as follows.

- h) The payment in two to four installments.
- i) The payment in lump sum
- j) By monthly payment the maximum period of such payment or up to the date of retirement whichever is earlier.

VRS suggested by Income Tax Department:-

Taking VRS is the last moment in the service life of an employee. He receives the lump sum amount at a time in that year. Such big income at once is taxable under Income Tax Act. Hence it becomes the moral responsibility of the employer to educate the employees to reduce the tax liability, for this the following points should be borne in mind.

- i) The payment of gratuity up to one lakh is exempted from income tax.
- ii) Statutory retrenchment compensation payable under chapter V/VI is tax free.
- iii) The leave salary is considered for tax relief under this scheme is treated on par with retirement on superannuation.
- iv) Under the amendment of section 10(10c) of the Income Tax Act, indicates that the compensation received by the public sector undertakings employee is totally exempted under the Income Tax Act. The features of Income Tax guidelines laid down by the

government are-

- a) The scheme should be open at all levels in the undertaking.
- b) The establishment should be standing for 10 years or more.
- c) The retiring employees should not be re-employed in or any subsidiary of the companies group.
- d) The employee must have completed 40 years of age or 10 years service in that organization.
- e) The strength of the employees should not be increased.
- f) The rate of compensation for the past service of the retiring employee shall be 1) one and a half month wages (Basis + D.A.) per year of service and 2) one month wages (Basis + D.A.) for the future service left with a company.
- g) The maximum limit is Rs 5/- lakhs.
- V) The investment in tax savings schemes like NSC 1987, L.I.C. schemes like Jeevan Akshays, Jeevan Dhara to claim the benefit under 80 CCA and investment in 80 CC or SBI mutual fund schemes will be helpful.

The company should take the expert advice of the tax consultant to guide the employees while taking the VRS.

6.4.3 VOLUNTARY RETIREMENT SCHEMES AFTER 1991:-

Industrial Policy of 24th July 1991:-

Because of balance of payment crisis because of hyper inflation and low productivity the government of India sold 20 tonnes of gold and pledged another 27 tonnes gold in Bank of England which devalued the rupee value. Some of the key steps were taken to restore fiscal discipline like making import duty more realistic, devaluing the Indian rupee, delicensing, removal of MRTP ACT, FERA ACT, liberalization of financial markets, encouragement of mutual funds, flexibility in collecting the premium on shares while offering them to the public sale of public sector shares, land reforms and revamping of distribution system.

The above labour policy have direct impact on Human Resource Management. Article 15,16, and 17 of the policy are related with the Human Resource Management which are-

- 1) The government organizations are run on business lines as envisaged in the industrial policy resolution,1956
- 2) Government will protect the interest of the labour, enhance their welfare and equip them in all respect, to deal with the necessary technological changes.
- 3) The government will ensure the labour as an equal partner in the prosperity.
- 4) Workers participation in the management will be promoted.
- 5) Workers co-operatives will be encouraged.
- 6) Intensive training, skill development and upgradations program will be launched by the government.
- 7) Persuasion towards preservation of the environment and to ensure efficient use of available resources.

The industry labour/ trade unions have enjoyed the protection regarding market technology and work habits. But the new industrial policy at document level has tried to remove controls so that industry becomes competitive. However the New Industrial Policy is totally silent on any changes with performance. There is hardly any new direction on handling companies that are sick and unviable and need to be renewal fund. It may be implied from article 16 of the New Industrial Policy that if workmen refuse to undergo training they can be retrenched without obtaining government approval.

The industrial sickness is likely to increase in future. Many companies are applying to the Board for Industrial and financial reconstruction (BIFR) for declaring VRS. Such sick companies were 311 in 1987, which officially acknowledged sick which were 97 in 1996 and 233 in 1997 and 320 in 1998. Such industries were mostly textiles and metallurgical, were

sick because of the dumping from south-east Asian countries whose currencies fell during 1997 and 1998. Besides there were many other companies who have declared VRS for improving their profitability and to become more competitive following are the examples of some companies who have declared VRS.

Table 6.3 : Trends of the workers opted for VRS

Year	No. of workers opted for VRS
1992-93	38626
1994-95	31617

(Source : Annual Report 2002-03, Ministry of Labour, Govt. of India, New Delhi)

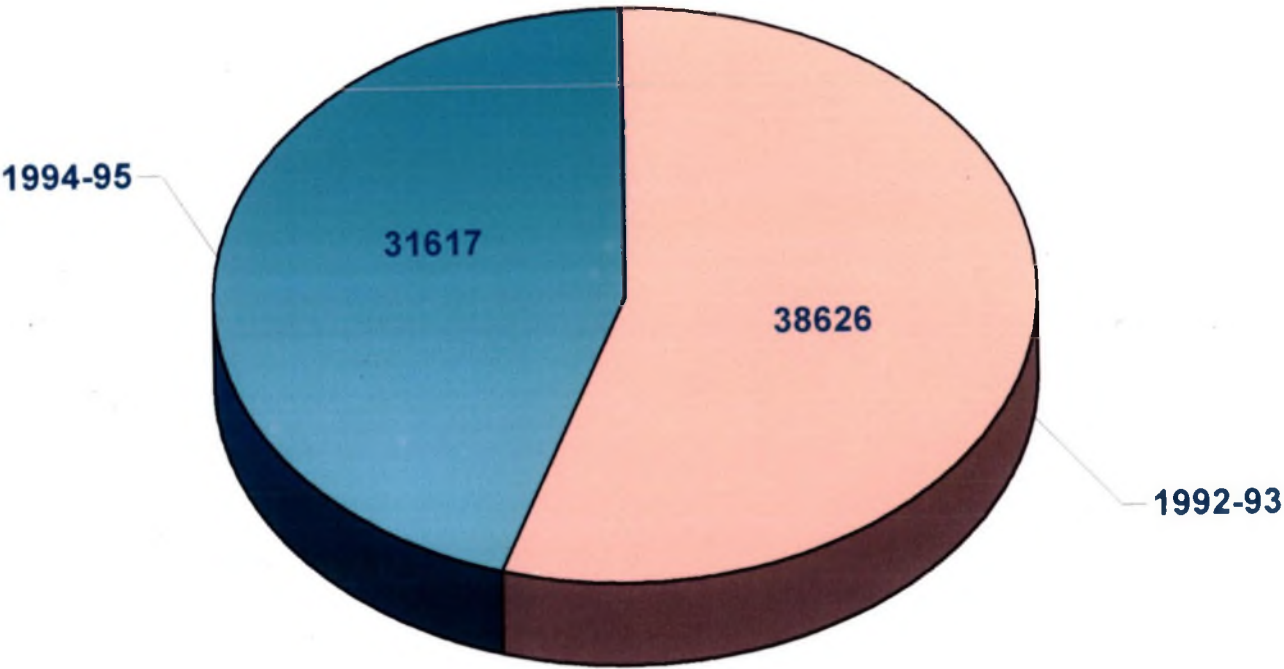
From the above table, it is clear that 38626 employees opted for VRS in 1992-93 and 31617 in 1994-95. This VRS will help to the company to abolish the permanent job and replace them by contract labour system which will lead the entire development of the Indian industries.

Table 6.4: VRS implemented in National Textile Corporation of India (NTC)

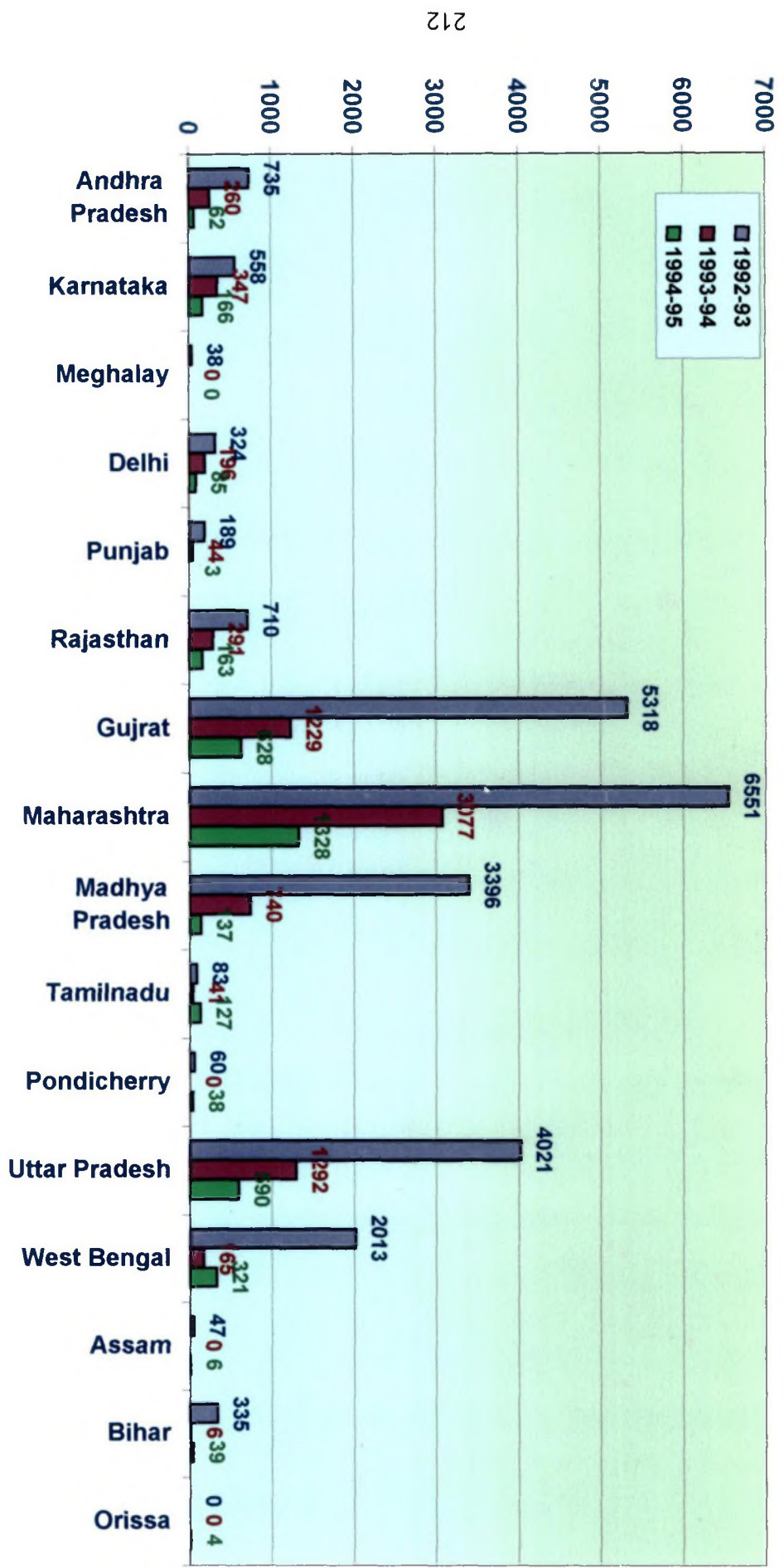
Sr.No.	State	1992-93	1993-94	1994-95	Total (Upto April 1995)
1.	Andhra Pradesh	735	260	62	1057
2.	Karnataka	558	347	166	1071
3.	Meghalay	38	-	-	38
4.	Delhi	324	196	85	605
5.	Punjab	189	44	3	236
6.	Rajasthan	710	291	163	1164
7.	Gujrat	5318	1229	628	7175
8.	Maharashtra	6551	3077	1328	10901
9.	Madhya Pradesh	3396	740	137	4281
10.	Tamilnadu	83	41	127	251
11.	Pondicherry	60	-	38	98
12.	Uttar Pradesh	4021	1292	590	5903
13.	West Bengal	2013	165	321	2499
14.	Assam	47	-	6	53
15.	Bihar	335	6	39	380
16.	Orissa	-	-	4	4
17.	Total	24378	7641	3647	35716

(Source-The Hindu, April 9, 1995)

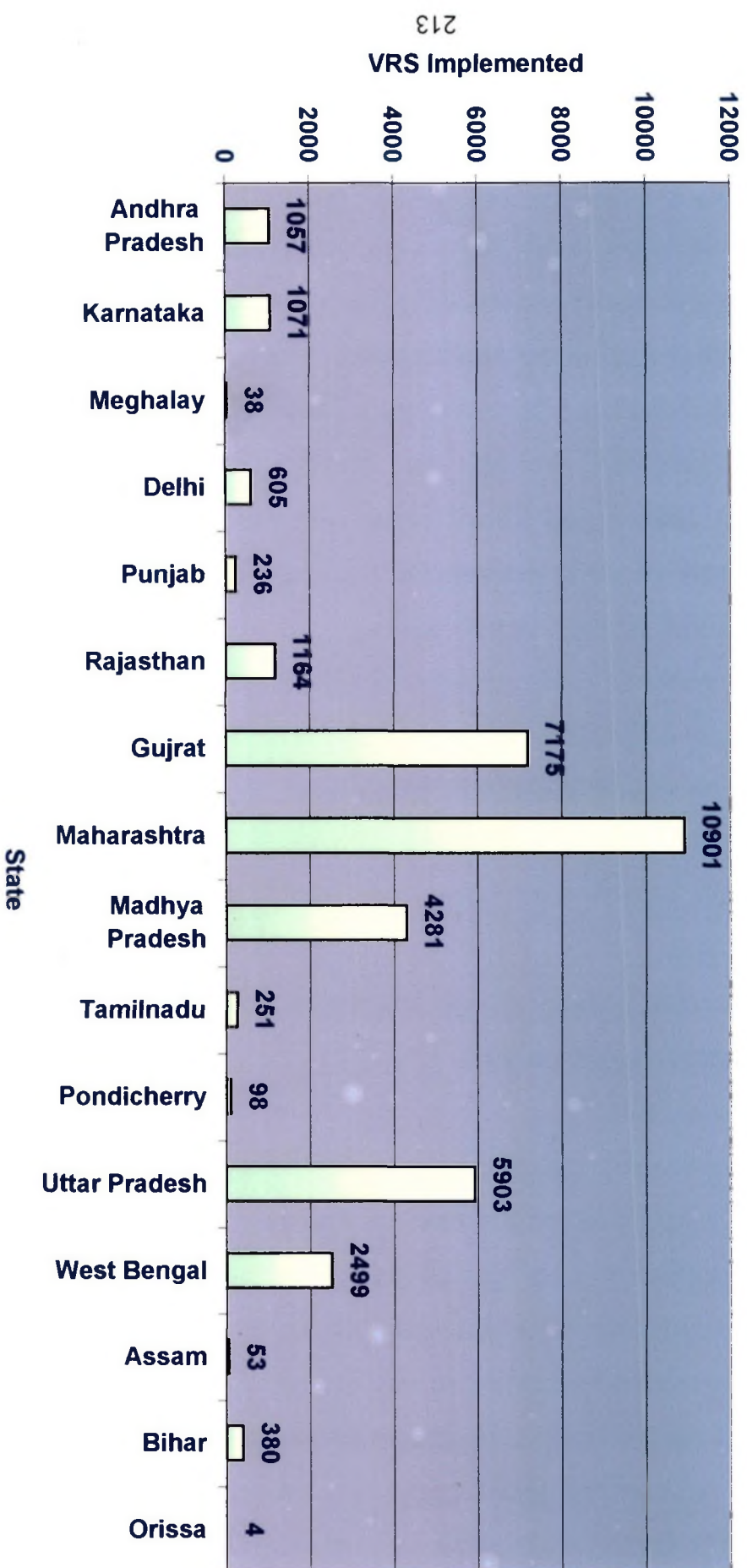
Graph 6 : Trends of the workers opted for VRS



Graph 7 : Yearwise VRS implemented in National Textile Corporation of India (NTC)



Graph 8 : Statewise VRS implemented in National Textile Corporation of India (NTC)



The above table reveals that, the total VRS at all India level in NTC were 35716. Out of which , 24378 VRS were granted in the year 1992-93 only. Most of the VRS were granted in Maharashtra, Madhya Pradesh, Gujrat , Uttar Pradesh and West Bengal states. These VRS were granted because of automation in textile industries and recurring loss position of the textile mills in these states. Besides these, globalization was also responsible for downsizing the surplus labour force by way of declaring VRS.

In the public sector units, the VRS was kept open for every year. The number of employees opted for VRS were 7641 and 3647 in the year 1993-94 and 1994-95 respectively. The share of VRS in NTC is more as compared to other Public Sector Units.

Companies from Private sector:-

Sandoz at its Kolshet worked reduced 415 workers out of 921 employees in 1994.

Hindustan Lever:- Sewree plant offered VRS in 1998 but opposed by the unions on the ground the remuneration was too low.

Siemens:- Company was planning to reduce 20% workers in 1997, 1300 workers opted for VRS, but in April-May 1998 the union opposed claiming that company is now in a good condition except some departments. Only 250 workers opted for VRS at that time.

Standard Chartered Bank introduced:-

VRS in 1994, 1996 and in 1999. The bank was planning to reduce 2046 employees including 100 managers. Such reduction in employees was required due to introduction of satellite-linked computerized facilities but hardly 1122 for the latest scheme and in another scheme up to 1999, 1400 workers will reduce at all India level. The latest proposal was three months pay for every years of service left up to normal retirement. On an average such payment was 17 lakhs per person and 24 lakhs per managers. The also run the training period but 15 out of them could be absorbed in other organizations. The total spending was estimated up to

200 crores.

Bank of America offered in 1998:-

Offered the benefit for VRS for its (middle level) executives at about three months salary for each year of completed years of service and one months salary for each year left. The compensation was reaching up to thirty lakhs. The bank also decided to pull the entire strength from retail banking operations in south and south-east Asia.

Citi Bank:-

Established in 1902 offered the package in 1976, 1986, 1993 and 1999. The bank was aimed to reduce the 10% of Indian staff.

BOC (India) Ltd :-

Reduced its all India manpower from 5400 in 1989 to 1425 in January 1998 with a target of 1000 by the year 2000.

Blue star :-

Announced its 5th VRS packages in November 1998, the target was 25% reduction of existing strength of 1000 workmen and 1800 managers.

Apollo Tyres:-

Announced VRS at its Perambra(Kerela) with 200 workers. The target was 600 reductions and in September 1998, 100 had already opted.

SKF :- Bearings aims to cut 24% workforce through VRS in 1998.

Maruti Udyog Ltd:-

Announced VRS in 2001, due to work stoppages and falling sales. It's workforce was 6000. It offered 90 days salary for each completed years of service or for remaining years, for supervisors 60 days salary for managers 45 or 30 days salary.

GEC Alstam:-

Achieved 1800 reduction in the first VRS in its five units. In 2nd VRS 4000 workers responded out of 1600 workers of Paharpur (Calcutta).

TISCO :-

Reduced its work force by 3599 workers in 1997-1998 & paid Rs 112.19 crores as compensation. The total work force had reduced from 77448 in 1993-1994 to 64753 in 1997-1998. TISCO had budgeted 112 in 1998-1999 Rs. 180 crores for VRS around 55000 workers up to 2000. In general it appears that the workers are accepting VRS if they are getting attractive package of compensation or if they are convinced about the crisis in the company.

Table 6.5 : The VRS Implemented in Private Sector in India

Sr.No.	Unit	Years	VRS Granted	Total VRS
1.	Appolo Tyres	1996,1998	100 & 220	320
2.	GKW	1998	450	450
3.	GEC Alstom	1998	1800 & 400	2200
4.	TISCO	1993,1998	78000 & 12695	90695
5.	Binny	1998	4000	4000
6.	ACC	1996,1999	5000	5000
7.	Dunlop Tyres	1998	3000	3000
8.	Premier Automobiles	1980	3000	3000
9.	Ind-Auto,Fiat Premier	1998	1320	1320
10.	Shri Ram Mills	N.A.	1400	1400
11.	Guest Keen Willams	1988	900+250	1150
12.	Bharat BIJLEE	N.A.	247	247
13.	Blue Star	N.A.	500	500
14.	Crompton Greaves	N.A.	218	218
15.	Atlas Copco	N.A.	400	400
16.	Mahindra & Mahindra	N.A.	740	740
17.	PAL	N.A.	2700	2700
18.	RHONE POULENC	N.A.	400	400
19.	Ciba Geigy	1993	907	907
20.	Motilal Engineerings	N.A.	900	900
21.	Kelvinator	N.A.	10000	10000
22.	Boehringer Pharma	N.A.	100	100
23.	Hoest Marion Rousel Pharma	N.A.	82	82
24.	Glaxo	N.A.	300	300

(Source-Seminar at Marratha Chamber of Commerce & International Relations in India Shifting Paradigms by Ratna Sen.)

From the above table, it is clear that most of the private companies have implemented the VRS in the year 1998. Besides this, some of companies implemented the VRS in 1980, 1988, 1993, 1996 and 1999 also. The purpose

of VRS was to minimise the labour cost by reducing excess manpower. The technological upgradation and automation measures are now have become necessary part of the industries in order to have quality production at low cost of production for facing international competition.

Public sector undertakings:-

Some public sector units declared the VRS in order to match the new demand of the 5th pay commissions recommendations or central government employees. For ex. the SAIL, Coal India & Hindustan copper (HCL) etc. coal India's target is to reduce 34000 workers. HCL proposed to close uneconomic mines. Some PSUs were in comfortable position & had a wage hike since their labour productivity was comfortable. They were in a position to declare the VRS for it's officers, who had completed 20 years service or were over 50 years of age.

Table 6.6: The Public Sector Enterprises in which employees granted VRS.

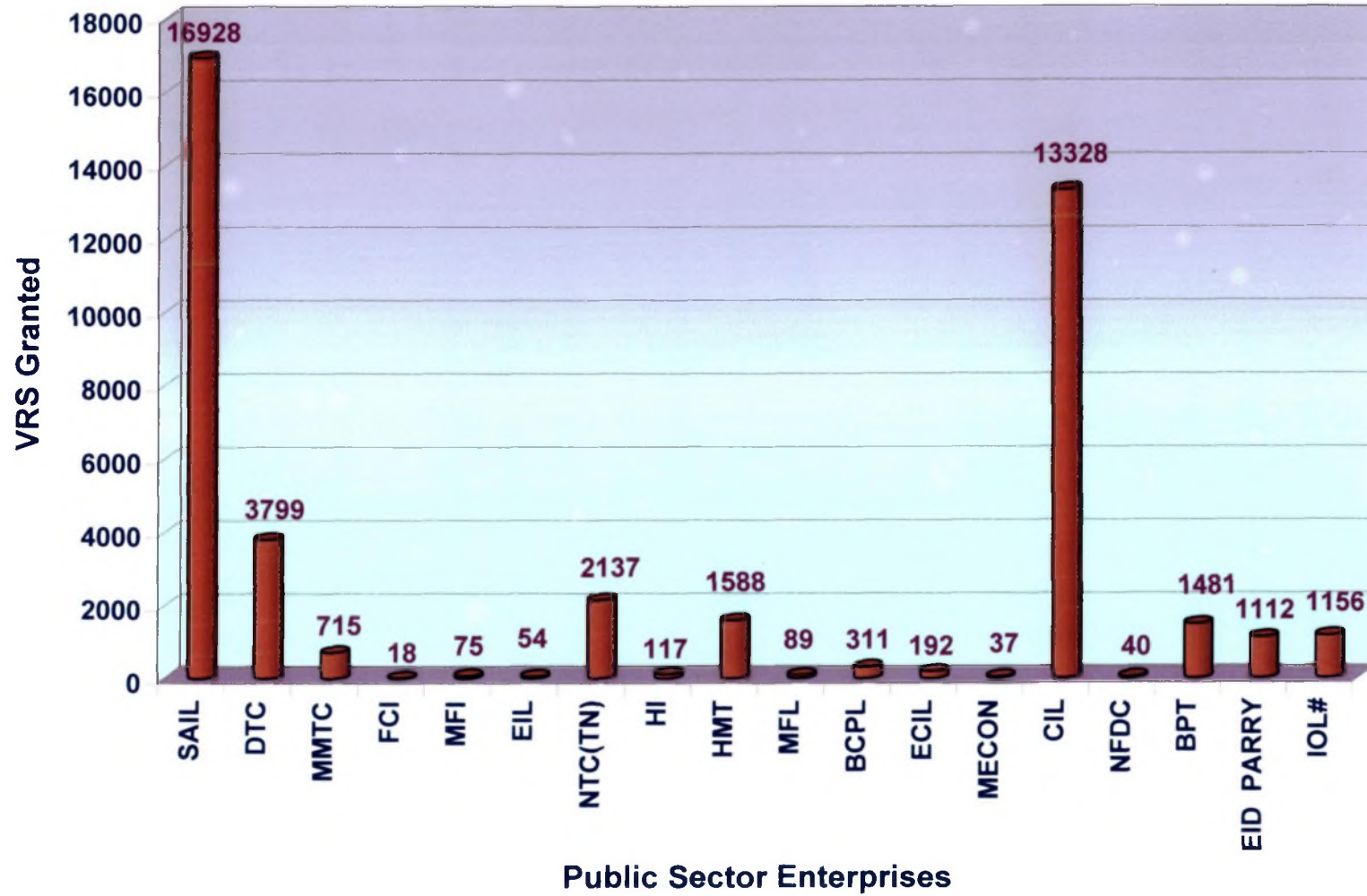
Sr. No	Units	No. of persons			No. of persons employed	% of VRS granted VRS. granted to taker to total work force in 1990-91
		1990-1991	1991-1992	1992-1993		
1.	SAIL	190608	189193	188352	16928	8.90
2.	DTC	40684	40193	39478	3799	9.34
3.	MMTC	3836	3648	3246	715	18.64
4.	FCI	68502	67788	66631	18	0.03
5.	MFI	2685	2584	2543	75	2.86
6.	EIL	3373	3426	3541	54	1.60
7.	NTC(TN)	11990	12015	11702	2137	17.82
8.	HI	2748	2722	2722	117	4.25
9.	HMT	28508	27771	27015	1588	5.57
10.	MFL	1473	1566	1579	89	6.04
11.	BCPL	1668	1467	1369	311	18.65
12.	ECIL	7892	7874	7653	192	2.43
13.	MECON	3817	3794	3748	37	0.10
14.	CIL	672866	761550	663349	13328	1.98
15.	NFDC	282	277	248	40	14.18
16.	BPT	30185	29903	26614	1481	4.91
17.	EID PARRY	NA	2828	2957	1112	*39.32
18.	PHILIPS	NA	7884	7675	@	-
19.	IOL#	NA	NA	2134	1156	*54.17

(Source:- Annual Reports of Organisations)

Notes : * : Considered base year 1991-92 @ : VRS yet to be implemented

: Related to calendar year.

Graph 9 : The Public Sector Enterprises in which employees granted VRS



From the above table it is clear that the statistics relates to only 16 public sector units and the figures available are of only 3 years i.e. 1990-91, 1991-92, 1992-93.

Amongst these, 16 units who have granted highest VRS are MMTC 18.64%, NTC (TN) 17.82%, BCPL 18.65% & NFDC 14.18%.

The units in which the VRS granted are very less i.e. FCI 0.03%, MFI 2.86%, EIL 1.60%, ECIL 2.43%, MECON 0.10% and CIL 1.98%.

The private organizations like EID PARRX and IOL reduced their workforce by 39.32% and 54.17% respectively.

BHEL announced :-

A VRS by keeping a target of 5000 employees. The offer was oversubscribed and around 8000 workers had applied for VRS. The company had to close the scheme by two months in advance.

Steel Authority of India Ltd:-

Reduced 17000 workforce in the first VRS in 1993. Bhilai steel plant reduced, the workforce from 61000 in 1980s to 51000 in 1990s . Some were having a problem of skill depletion. The Bhilai policy was to provide on the job training for six months to take care of the problems. SAILS immediate target was to reduce 60000 workers out of which 40000 were VRS and 20000 were natural retirement.

Mazgaon Docks:-

The workers were not going to oppose to the declared scheme. Indian Airlines reduced 22000 workers in 1996 and 1998 by VRS.

Around 27 banks were also joined in the VRS scheme. These banks offered 1 million employees who had completed 15 years of service and 40 years of age. The compensation would be 60 days salary for each completed years of service or number of years left, whichever is less. The Bank of Maharashtra, Punjab National Bank and Syndicate Banks received 14500 applications out of total 115000 applications received. In another 8 banks in which 163000 workers were employed for

them the scheme was open up to 2000. SBI received so many applications which afterwards rejected. VRS Another two banks employing one lakh employees, declared the scheme in 2001, out of them, 126000 employees opted for VRS including very senior managers also & their total compensation was amounted to Rs 15000 crores. The industry minister declared the scheme in Rajya sabha on Dec.10, 1998 for Mining & Allied Machinery corporation , Cycle corporation of India, Bharat Ophthalmic Glass Ltd, National industries Ltd, Weigh bird India Ltd, National bicycle corporation of India, Tannery & foot wear corporation of India Ltd, and Rehabilitation Industries, having a combined strength of 10500 employees. It set aside Rs 517 crores for the purpose of VRS. Nine other PSUs in heavy engineering were awaited for VRS with some cash compensation from the government and sanctions of BIFR.

All the trade unions initially opposed the scheme. The state corporation of West Bengal was also added in the list of VRS of PSUs. The maharashtra state government decided in the year 2000, to cut down the 20 lakh work force to bring down the salary bill 17699 crore annually or by 53% at least.

The VRS scheme was initially opposed by the unions but now the unions are willingly accepting the VRS because of attractive package of compensation for the retiring workers & attractive pay scales to the remaining workers in the PSEs. There were many problems in the implementation of VRS. E.g. in TISCO the managers were refusing the applications of VRS of the workers & so many reports are there about the VRS in PSUs are about the unofficial pressures upon the workers to accept the VRS.

Out of those who are opting for VRS are really skilled peoples or may be highly skilled managers opted from VRS will cause the skill depletion. Such highly skilled peoples will get the high positions in other organizations after taking VRS which is generally not affordable from the

point of view of increasing the efficiency of the organization. The Cholamandalam Distribution Services Ltd conducted a survey in 2001 & as per its report 38 % of the total employees opting for VRS were below the age of 50.

The government spent Rs 700 crores of the National renewal fund in 1992-93 on those people who were opting for VRS. As well as spending every year's collection of NRF for the VRS compensation. The amount spent by other companies are Grasim industries Rs 11 crores, Otis elevators Rs 12 crores, Telco Rs 17 crores, Philips India 36 crores, Bajaj Auto 80 crores, Tata Steel spent Rs. 202 crores in 2000. The SBI spent Rs 853 crores, Bank of India spent Rs 330 crores etc.

The VRS in public sector units is introduced by the permission of administrative minister.

The National renewal fund was set up on 3rd February 1992 with 700 crores. This was raised up to Rs 1020 crores in 1993-94 Rs 2000 crores in 1994-1995, Rs 240 crores in 1996-1997 and 300 crores in 1997-1998. Around 86804 of central PSUs opted for VRS between 1st April 1992 to 29th Feb 1996 with payments amounting to Rs 1430 crores. As on 31st March 1998, 109421 public sector workers were covered with a total payment of Rs 201984 crores. The existing benefit was reduced to 15 days wages for each completed year of service. The VRS was also extended to telecom, commerce, defence, petroleum, chemicals and fertilizers industries etc.

Five employment assistance centers were opened in 1993-94 in Bombay, Calcutta, Kanpur, Ahmedabad and Indore and were extended to 49 locations in 16 states to help the retired workers and to find alternate jobs. To February 1996, the counseled workers were 13000. The retrained workers were 7300 and 930 workers were redeployed. The fund was to be used for retraining, counseling and alternative employment etc.

The fund was to be used for revival but it was used for closing the units

in 1998. The strategies suggested were up gradation of technology, downsizing of workforce including managers and identification of joint partners. The government also suggested to profit making units to prepare VRS schemes without seeking government assistance for retirement payments. This was only for to reduce the surplus manpower in both PSUs and private sectors also most of the companies were stipulated that there will be no fresh recruitment for vacated post nor will be any employment available in other companies of the same group. The statutory payments or usual payments will not be affected.

Table 6.7 : Public Sector Units

Sr.No.	Unit	Year	VRS Granted	Total
1.	Indian Airlines	1996,1998	22000	22000
2.	Nationalised Banks	N.A.	99000	99000
3.	Indian railway have planned 30000 workers every year			
4.	BOC.	1989,1998	5400 & 1425	6825
5.	Hindustan Lever	1989	558	558
6.	ITC.	1987,1989	854	854

(Source- 1. Seminar, Maratha Chamber of Commerce and 2. International Relations in India Shifting Paradigms by Ratna Sen.)

The Voluntary Retirement Scheme is implemented in Public Sector Units as well as in the private sector companies. The public sector units as are owned by the government may be either Central or State. Due to surplus labour force, these governments also implemented the VRS scheme. The Nationalised Banks granted VRS to 99000 employees, as well as Indian Airlines granted for 22000, the BOC, Hindustan Lever and ITC also reduced their workforce by VRS in order to minimise the labour cost for the purpose of minimising the losses and to achieve in the competition.

Table 6.8 : Utilisation of National Renewal Funds for VRS in Public Sector

Units.

Sr.No.	Year	Total funds utilized (Rs.in crores)	VRS opted
1.	1992	700	Total VRS in central PSUs from 1/4/92 to 29/2/96 were 86304 employees & payment 1430 crores.
2.	1993-94	1020	
3.	1994-95	200	
4.	1995-96	240	
5.	1997-98	300	
6.	1998-99	720	2,01,984 employees VRS

(Source-Industrial Relations in India Shifting paradigms by Ratna Sen)

From the above table, it is obvious that Government India have created the National Renewal Fund since 1992. This fund was utilised for the purpose of granting VRS to the employees from the Public Sector Units. Total VRS in Public Sector Units from 01.04.1992 to 29.02.1996 were 86304 and Rs. 1430 crores were utilized for making the payment of VRS.

Further, the total number of employees who have opted for VRS were 2,01,984 and Rs. 720 crores were utilised for making the payment of compensation in the year 1997-98.

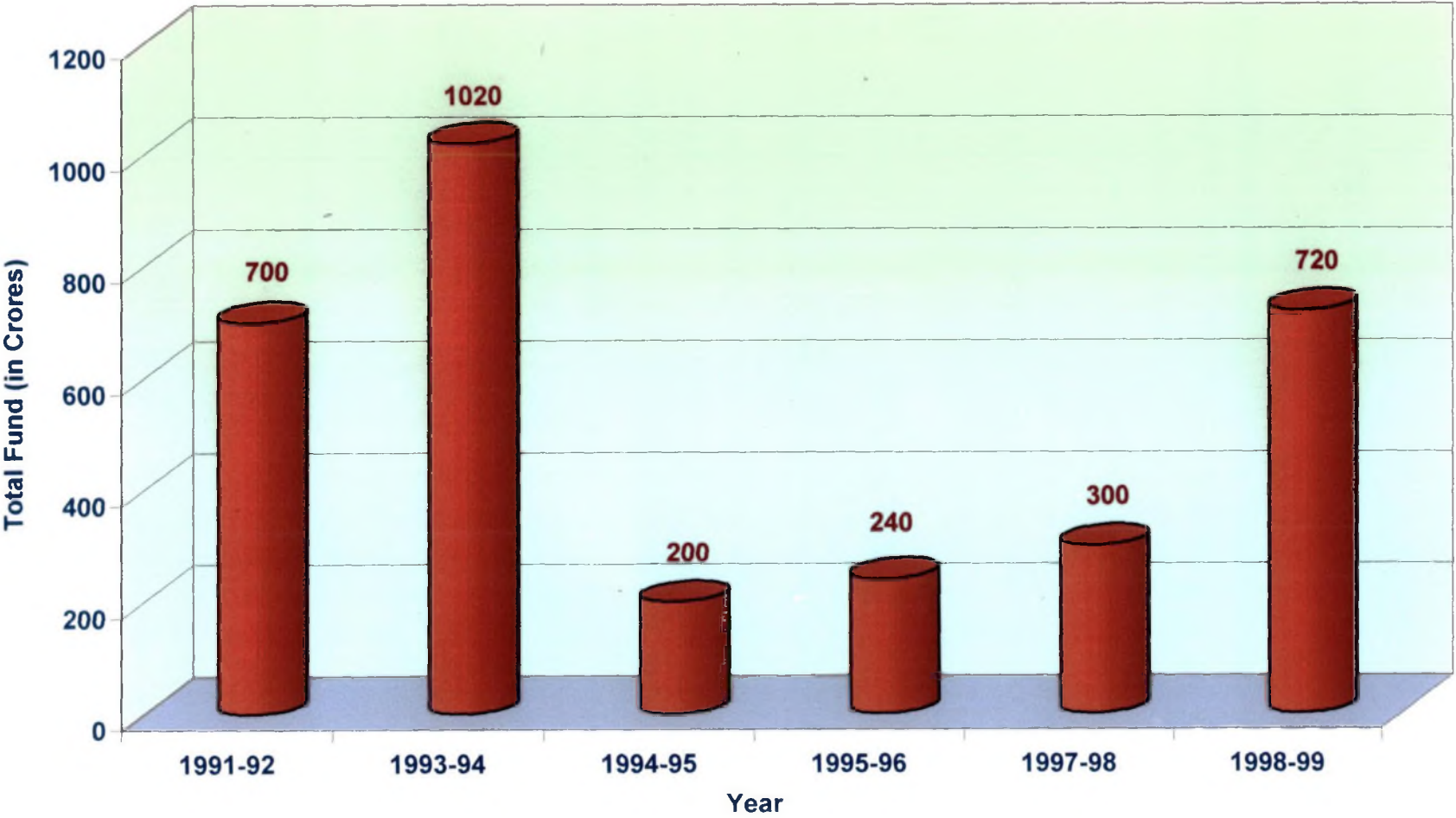
Alternate Approaches:-

The companies in pune have adopted the alternatives. E.g.:- In Alfa Laval Ltd it initially reduced 1400 workforce, then 500 and further 200 workers. It arranged training programme to educate the workers about investment options.

Thermax Ltd having total workforce up to 3000 opted the surplus workers for deployment but after wards followed the strategy of cost cutting without reducing the workforce. July 1999 150 workers were deployed.

Praj Industries found out of 300 workers 45 surplus workers. Some products were discontinued due to lack of demand. The workers found

Graph 10 : Utilisation of National Renewal Funds for VRS in Public Sector Units



alternate jobs through networking.

Birla group companies instead of reducing workers they reduced working hours.

Texmo company in west Bengal instead of reducing the workers it reduced 3 working days in week and paid 50 % remuneration for reduced days.

Reasons of VRS for companies:-

- i) Low productivity refusal to change or transfer.
- ii) Decision of subcontracting or outsourcing.
- iii) Discontinue existing product or process.
- iv) Use of substitute raw material.
- v) Insertion of new machinery.
- vi) Inability of management to adjust the change.
- vii) High wages of the workforce.
- viii) Refusal of worker to acquire skill & knowledge.
- ix) Inefficiency of workers.
- x) Resistance of unions for change.
- xi) Restrictive work practices.
- xii) Over manning.
- xiii) High cost of land.
- xiv) Mergers and acquisitions
- xv) Court procedures by existing unions.

Reasons of accepting the VRS by workmen:-

- h) Ill health.
- i) Use of past savings
- j) Possibility of another job
- k) Inability to acquire new knowledge and skills
- l) Fear of loss of job by closure
- m) Opportunity of new business venture
- n) Want to concentrate on the side business
- o) Do not want to work further
- p) Wants money for marriage, education of children etc.
- q) Pressure from friends unions or management
- r) Wanted to concentrate on home.